

Delaware Part of 50-State Settlement With Retailer That Targeted Military Service Members

The Delaware Department of Justice Consumer Protection Unit announced a settlement with retailer USA Discounters, also doing business as USA Living and Fletcher's Jewelers, along with 49 other state attorneys general, to resolve the states' claims of deceptive trade practices against the company. An estimated \$203,000 will be paid to Delawareans who were USA Discounters customers as part of the settlement.

USA Discounters sold consumer products, including furniture, appliances, televisions, computers, smart phones, jewelry and other consumer goods principally on credit. USA Discounters typically marketed to members of the military and veterans, advertising that military, veterans and government employees would never be denied credit for goods purchased from the retailer. USA Discounters closed its stores in the summer of 2015 before later declaring bankruptcy.

The Attorney General offices alleged that USA Discounters engaged in unfair, abusive, false and deceptive acts and practices. These allegations include that, in collecting on consumer debts, USA Discounters engaged in abusive tactics when service members got behind on payments, including contacting service members' chains-of-command, and causing some service members to lose security clearances and face demotions. The states also alleged that USA Discounters only filed its lawsuits in a few Virginia jurisdictions, no matter the service member's location, deployment status, or residence. In addition, the states alleged USA Discounters sold overpriced household goods at high interest rates, often

using the military allotment system to guarantee payment. These unlawful business practices, the states claim, were secured through misrepresentations and omissions in advertising, during the loan's origination, and during the collection process.

USA Discounters agreed to provide relief to certain former and current customers. The total estimated value to consumers for these restitution measures is approximately \$95.9 million, primarily benefiting active and veteran service members. Namely, USA Discounters agreed to:

- Write off all accounts with balances for customers whose last contract was dated June 1, 2012 or earlier, and correct the negative comment from the company on those consumers' credit reports;
- Apply a \$100 credit to all accounts whose contracts were dated after June 1, 2012, which were not discharged in bankruptcy, and correct the negative comment from the company on those consumers' credit reports;
- Write off all judgments not obtained in the correct state, and correct the negative comment from the company on those consumers' credit reports;
- Credit all judgments that were obtained in the correct state against members of the military with a credit equal to 50 percent of the original judgment amount;
- Pay a penalty of \$40 million to the states should the bankruptcy allow. This \$40 million penalty will be subordinated to all secured, administrative, priority, and unsecured claims that are allowed in the bankruptcy case, and it is not expected the company will have the resources to pay this penalty.

The value of the restitution to consumers in Delaware is approximately \$203,000. This settlement is expected to impact 75 state residents.